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October 31, 2006

ADVICE LETTER 1649-G
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: UPDATE OF PUBLIC PURPOSE PROGRAM GAS SURCHARGE RATES
EFFECTIVE JANUARY 1, 2007**

San Diego Gas & Electric Company (SDG&E) hereby transmits for filing the following changes to its gas tariffs, as shown on Attachment A.

PURPOSE

The purpose of this Advice Letter is to submit updated Public Purpose Programs (PPP) gas surcharge rates to be effective January 1, 2007.

BACKGROUND

Pursuant to Ordering Paragraph (OP) 22 of D.04-08-010 in Rulemaking (R.) 02-10-001, SDG&E is updating its gas surcharge rates to fund PPP, as authorized by Assembly Bill (AB) 1002. AB 1002 directs the Commission to establish a gas surcharge annually to fund certain natural gas related PPP such as low-income customer assistance, energy efficiency, and research and development (R&D). Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and are ultimately appropriated back to utilities or other entities designated by the California Public Utilities Commission (Commission) to administer PPP.

On August 19, 2004, the Commission issued D.04-08-010 that addressed both the Phase 1 implementation issues on the gas surcharge rulemaking and Phase 2 administration of public purpose R&D. Pursuant to OP 10, SDG&E is using the surcharge formula adopted in the decision for calculating the gas PPP surcharge rates. SDG&E is using information provided by the Energy Division for calculating the gas surcharge rates as it relates to (1) the Commission and BOE administrative costs, (2) SDG&E's portion of the 2007 statewide R&D budget, and (3) reflects SDG&E's non-exempt interstate pipeline gas volumes as being zero. Furthermore, since SDG&E's Biennial Cost Allocation Proceeding (BCAP) decision is more than three-years old, SDG&E is using the three-year average for its available billed gas volumes in calculating the gas surcharge rates for the customer classes.

DISCUSSION

The low income components of the PPP surcharge rates reflect SDG&E's projections of the California Alternative Rates for Energy (CARE) balancing account as of December 31, 2006, CARE

customer consumption, and CARE administration expenses of \$2.3 million adopted in D.05-12-026 and as modified by D.06-04-001¹. The allocation of the CARE administrative expenses to the gas department is \$680,491. PPP surcharge rates also reflect the gas portion of SDG&E's Low Income Energy Efficiency (LIEE) budget in the amount of \$6.68 million, adopted in D.05-12-026, as modified by D.06-04-001. The authorized LIEE budget is allocated 50% gas and 50% electric pursuant to Advice Letter (AL) 1468-E/1361-G approved by the Commission on February 20, 2003.

The non-low income cost components reflect SDG&E's share of the 2007 R&D budget of \$944,675 provided by the Energy Division and the Energy Efficiency (EE) budget of \$6.4 million adopted in D.05-09-043 and D.05-11-011,² plus the Evaluation, Measurement and Verification budget for 2006 of \$0.4 million which had not been approved at the time the 2006 gas PPP AL 1563-G was filed.

The PPP rates are listed for CARE and Non-CARE customers by major customer class, and reflect changes to the CARE, LIEE, R&D and EE component of the gas PPP surcharge. See Schedule G-PPPS as shown on Attachment A.

The 2007 PPP surcharge revenue requirement is higher by \$0.2 million compared to 2006 primarily due to the increased funding for the EE, LIEE and RD&D programs and increased CARE discounts partially offset by the elimination of the 2005 CARE under-collection which was amortized in 2006. The impact of the updated PPP rates, by customer class, is shown on Attachment B.

PROTEST

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of Honesto Gatchalian (jni@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Todd Cahill
Regulatory Tariff Manager
8330 Century Park Court, CP 32
San Diego, CA 92123-1550
Facsimile No. (858) 654-1788
E-mail: tcahill@semprautilities.com

¹ D.06-04-001 corrected errors in Tables 1 and 2 of D.05-12-026, issued December 15, 2005, which approved SDG&E's 2006 LIEE and CARE program plans and budgets of \$13.4 million and \$36.8 million respectively.

² AL 1754-E/1575-G outlined and approved the funding levels and funding allocations among the IOUs for Evaluation, Measurement, and Verification.

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and respectfully requests that the revised tariffs proposed herein be approved effective January 1, 2007.

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.02-10-001, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Workpapers supporting this filing have been provided to the Commission's Energy Division. Copies of the workpapers will be made available to other parties upon request by contacting SDG&E at the address in the protest section above.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail at csondrini@semprautilities.com.

J. STEVE RAHON
Director – Tariffs & Regulatory Accounts

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC**

Utility type:

☐ ELC

☒ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: Margee Moore

Phone #: (858) 654-1748

E-mail: mmoore@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1649-G

Subject of AL: Update of Public Purpose Program Gas Surcharge Rates Effective January 1, 2007

Keywords (choose from CPUC listing): Gas PPP, compliance

AL filing type: ☐ Monthly ☐ Quarterly ☒ Annual ☐ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.04-08-010

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? ☐ Yes ☒ No

Requested effective date: 1/1/07

No. of tariff sheets: 3

Estimated system annual revenue effect: (%): \$0.2 million

Estimated system average rate effect (%): 0.9%

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Schedule G-PPPS & TOCs

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: none

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Todd Cahill

8330 Century Park Ct, Room 32C

San Diego, CA 92123

tcahill@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

W. Franklin
S. Gallagher
H. Gatchalian
D. Lafrenz

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

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City of Poway

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City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

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W. Chen

CP Kelco

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Davis Wright Tremaine, LLP

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Douglass & Liddell

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D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander
K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter
D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties in:

R.02-10-001

ATTACHMENT A
ADVICE LETTER 1649-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 15866-G	SCHEDULE G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 1	Revised 15114-G
Revised 15867-G	TABLE OF CONTENTS, Sheet 1	Revised 15864-G
Revised 15868-G	TABLE OF CONTENTS, Sheet 4	Revised 15865-G



San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 15866-G
Canceling Revised Cal. P.U.C. Sheet No. 15114-G

SCHEDULE G-PPPS

PUBLIC PURPOSE PROGRAMS SURCHARGE

Sheet 1

APPLICABILITY

Applicable to all gas sales and transportation services rendered under all tariff-rate schedules authorized by the Commission. Customers will have a surcharge as a separate line item on their bills unless they are exempt 1/ (e.g. electric generation including cogeneration and consumption of natural gas which California is prohibited from taxing under the United States Constitution or the California Constitution, as referenced in Section 896 of the Public Utilities (PU) Code. See also the California Energy Resources Surcharge Regulation Sections 2315 and 2316 as identifying exempt customers).

TERRITORY

This schedule is applicable within the entire territory served by Utility.

RATES

<u>Customer Class</u>	PPP Surcharge 2/ (For all service, per meter, per month)	
	<u>CARE Customer</u> 3/ (¢/therm)	<u>Non-CARE Customer</u> (¢/therm)
Core		
Residential	2.381 I	5.090 R
Commercial/Industrial	2.974 I	5.683 I
Natural Gas Vehicles	N/A	3.000 R
Noncore		
Commercial/Industrial	N/A	5.997 R

SPECIAL CONDITIONS

1. General Description

The public purpose program (PPP) surcharge is shown on a customer's bill as a separate line item. The surcharge is authorized to recover the cost of public purpose programs such as low-income assistance, energy efficiency, and public interest research and development. The Utility remits surcharge payments quarterly to the State Board of Equalization (BOE) by the last day of the month following a calendar quarter. The BOE deposits the payments in the Gas Consumption Surcharge Fund (Fund) with the State Treasurer. Utility public purpose programs are financed through monies appropriated to the Utility from the Fund by the Commission.

1/ Commission Resolution G-3303, dated December 21, 2000, references Sections 896, 897, and 898 of Assembly Bill (AB) 1002 regarding consumers of natural gas who are exempt from the tax surcharge. Section 896 states "Consumption means the use or employment of natural gas. Consumption does not include the use or employment of natural gas to generate power for sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas which this state is prohibited from taxing under the United States Constitution or the California Constitution." Section 897 states "Nothing in this article impairs the rights and obligations of parties to contracts approved by the Commission, as the rights and obligations were interpreted as of January 1, 1998." Section 898 is in reference to a municipality, district, or public agency but also references Section 890. Subdivision (e) of Section 890 states in part "The Commission shall determine the total volume of retail natural gas transported within the service territory of a utility gas provider, that is not subject to exemption pursuant to Section 896, for the purpose of establishing the surcharge rate."

2/ AB 1002 of September 30, 2000 authorized the Commission to establish a gas PPP surcharge. Resolution G-3303 established PPP surcharge rates effective January 1, 2001. The surcharge rates were removed from utility energy rates and added as line items to applicable billings effective July 1, 2001.

3/ Low-income customers who qualify for California Alternate Rates for Energy (CARE) receive a 20% discount on rate and pay all of the PPP costs except CARE.

1H10

Advice Ltr. No. 1649-G

Decision No. 04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Oct 31, 2006

Effective Jan 1, 2007

Resolution No.



San Diego Gas & Electric Company
San Diego, California

	<u>Revised</u>	Cal. P.U.C. Sheet No.	<u>15867-G</u>
Canceling	<u>Revised</u>	Cal. P.U.C. Sheet No.	<u>15864-G</u>

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Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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III. Biennial Cost Allocation Proceeding (BCAP).....	7587, 7277, 14247, 15267, 14249, 7281-G 7489, 14250, 14251, 14252, 7493, 7494-G
IV. <u>Balancing Accounts</u>	
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Gas Storage Balancing Account (GSBA).....	15685, 15686, 15687-G
Core Interstate Transition Cost Surcharge Amount (CITCS).....	15688-G
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Baseline Balancing Account (BBA).....	15696-G
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(Continued)

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Advice Ltr. No. 1649-G

Decision No. 04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Oct 31, 2006

Effective Jan 1, 2007

Resolution No. _____



San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 15868-G
Canceling Revised Cal. P.U.C. Sheet No. 15865-G

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Sheet 4

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GL-1	Service from Liquefied Natural Gas Facilities (Borrego Territory).....	12004, 3464-G
G-PUC	Surcharge to Fund PUC Reimbursement Fee.....	15407-G
G-MHPS	Surcharge to Fund PUC Master-Metered Mobilehome Park Gas Safety Inspection and Enforcement Program.....	11242-G
GP-SUR	Customer-procured Gas Franchise Fee Surcharge.....	15401, 6859-G
G-IMB	Transportation Imbalance Service.....	11037, 15863, 9496-G 15403, 13109, 9499-G
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(Continued)

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Advice Ltr. No. 1649-G

Decision No. 04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Oct 31, 2006

Effective Jan 1, 2007

Resolution No.

T

Attachment B

SUMMARY OF PPP SURCHARGE RATES

SAN DIEGO GAS & ELECTRIC COMPANY

PPP Surcharge Update for 1/1/2007

Customer Class		CARE Customers			Non-CARE Customers		
		2006	2007	% Change	2006	2007	% Change
		¢/th	¢/th	%	¢/th	¢/th	%
(a)		(b)	(c)	(d)	(e)	(f)	(g)
<u>Core</u>							
1.	Residential	2.079	2.381	14.5%	5.194	5.090	-2.0%
2.	Commercial/Industrial	2.410	2.974	23.4%	5.525	5.683	2.9%
3.	Natural Gas Vehicle	N/A	N/A	N/A	3.398	3.000	-11.7%
<u>Noncore</u>							
4.	Commercial/Industrial	N/A	N/A	N/A	6.050	5.997	-0.9%
		2006	2007	Rev Change	% change		
		M\$	M\$	M\$	%		
5.	System Total Revenue	27,258	27,498	239	0.9%		

Note: Present rates reflect gas rates filed in AL 1563-G effective January 1, 2006